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Advantage Announces Second Quarter 2021 Financial and Operating Results and Succession Plan

(TSX: AAV)

CALGARY, AB, July 29, 2021 /CNW/ - Advantage Energy Ltd. ("Advantage" or the "Corporation") is pleased to report its second quarter 2021 results including record production of 50,011 boe/d, a significant increase in free cash flow(a) and accelerated debt reduction.

Production from the winter drilling program continued to exceed expectations while gas prices remained elevated during the quarter, with the payout of new wells averaging 8 months from the on-stream date. Production was relatively stable through the extreme heat event in June thanks to the outstanding efforts of our field staff and robust facility designs. Drilling and completions activities resumed approximately 3 to 4 weeks ahead of schedule made possible by an unusually brief spring breakup.

Operating and Financial Highlights for the Quarter

- Cash provided by operating activities was $57.1 million
- Adjusted funds flow ("AFF")(a) increased 168% from second quarter 2020 to $46.3 million ($0.24 per share)
- Cash used in investing activities was $20.8 million while net capital expenditures(a) were $22.5 million
- Free cash flow ("FCF")(a) was $23.8 million, representing 51% of AFF
- Net debt(a) fell to $195.3 million, a reduction of $19.2 million from Q1 2021 and $162.2 million from Q2 2020
- Reduced net debt to AFF(a) ratio to 1.3x
- Record total production of 50,011 boe/d, up 10% over Q2 2020, with record gas production of 274 mmcf/d
- Liquids production of 4,290 bbls/d (1,163 bbls/d crude oil, 637 bbls/d condensate, and 2,490 bbls/d NGLs)
- Maintained low cash costs including operating costs of $2.21/boe
- Increased operating netbacks(a) to $12.51/boe, up 117% from second quarter 2020

Operational Update

- At Glacier, the continued outperformance of new wells and available capacity in the Advantage owned and operated Glacier Gas Plant provide flexibility to increase production while natural gas prices remain elevated
- Completions on a five-well Glacier pad drilled in Q1 began ahead of schedule, with wells currently flowing back on clean-up
- Two wells were drilled at Valhalla with completions planned for Q3 2021
- Thirteen additional wells are scheduled to be drilled in the second half of 2021 with the primary focus remaining on Glacier
- The northwest segment of the Glacier gas gathering system was commissioned in early April, increasing capacity and eliminating restrictions on existing and future well pads
- All major equipment for the Glacier Gas Plant Carbon Capture and Storage project (phase 1) has been ordered and expected on-stream date remains April 2022

Marketing Update

Advantage has hedged approximately 47% of its natural gas production for this summer and 21% for winter 2021/22. These hedges are fixed price swaps denominated at AECO, Henry Hub, Dawn and Chicago, reflective of the market exposures in our natural gas diversification strategy. Advantage has 48% of its total liquids production hedged for the remainder of 2021 with WTI swaps at an average price of US$49.14/bbl.

Looking Forward

As production has grown in the first half of 2021 and with continued strengthening of North American oil and natural gas prices, Advantage has delivered a significant increase to FCF and debt has been reduced faster than expected. Current guidance for 2021 remains at $115 to $135 million of capital (and tracking below the mid-point), delivering production of 48,000 to 51,000 boe/d. Targeted annual production per share growth remains between 5 and 10%.

Operationally, Advantage is well ahead of schedule due to the short spring break-up season and continued outperformance by the drilling team. As a result, Advantage has the opportunity to accelerate drilling in the fourth quarter of 2021, which would serve to increase 2022 production and reduce Q1 2022 spending. Advantage will continue to monitor market conditions and may accelerate $10 to $20 million in capital spending from Q1 2022 into the Q4 2021 program.

Advantage will continue to fortify its balance sheet and maximize returns for its shareholders by executing on its strategy to:

- Continue to deliver moderate production growth (between 5% and 10%) utilizing existing capacity at our Glacier Gas Plant
- Enhance corporate resilience and scale through:

    - balancing our exposure to gas pricing by growing our liquids production
    - revenue-generating cleantech investments through the Corporation's subsidiary Entropy Inc. ("Entropy") that will leverage our carbon capture and sequestration technology and expertise
    - acquisitions that create efficiencies and scale
- Potentially return capital to shareholders

CEO Retirement Plan and Management Succession Update

Mr. Andy Mah has confirmed his plan to retire from the role of Chief Executive Officer of the Corporation effective December 31, 2021. Mr. Mah has provided over 15 years of corporate leadership including the successful conversion of Advantage from a Canadian Royalty Trust to a low cost, low emission, progressive Montney natural gas and liquids energy business. Advantage would like to thank Andy for his strong, dynamic leadership and lengthy track record of accomplishments. Mr. Mah will continue to provide his expertise and experience as a director on Advantage's Board after his retirement as Chief Executive Officer.

In accordance with the Corporation's management succession plan, Mr. Michael Belenkie will be appointed to the role of Chief Executive Officer effective January 1, 2022. Mr. Belenkie joined Advantage in 2018 and currently serves as President and Chief Operating Officer. Mr. Belenkie has been instrumental in expanding Advantage's corporate strategy and development approach while helping to lead the repositioning of the Corporation for the new energy market. Mr. Belenkie will provide leadership to Entropy through the existing management services agreement between Entropy and Advantage.

Adoption of Automatic Securities Disposition Plan

Advantage has adopted an automatic securities disposition plan (the "**ASDP**") specifically to enable Mr. Mah, to sell, on an automatic basis through an independent third-party broker (the "**Broker**"), certain securities of Advantage to facilitate estate and tax planning. It is expected that sales under the ASDP will commence after August 30, 2021. The ASDP will terminate in twelve (12) months subject to earlier termination in accordance with the ASDP.

The ASDP facilitates: (i) the automatic exercise of performance share awards granted to Mr. Mah by the Corporation ("**Entitlements**"); (ii) the automatic sale of common shares of Advantage (**Common Shares**") issuable on the exercise of the Entitlements; and (iii) the automatic sale of Common Shares.

Mr. Mah established the ASDP to sell up to an aggregate 700,000 Common Shares for estate and tax planning purposes in connection with his pending retirement. Mr. Mah provided the Broker with a set of written trading instructions pursuant to an agreement which required Mr. Mah to, among other things, certify that he is not in possession of material non-public information regarding Advantage.

The Broker will sell the securities under the ASDP according to the predetermined trading instructions given by Mr. Mah. Among other things, the trading instructions provide a minimum trading price at which the Common Shares may be sold pursuant to the ASDP. Sales will automatically occur on the open market through the facilities of the Toronto Stock Exchange and may occur under circumstances where Mr. Mah would ordinarily not be permitted to sell his securities due to restrictions under Canadian securities laws or trading black-outs imposed by Advantage's Disclosure, Confidentiality and Trading Policy.

Mr. Mah is subject to meaningful restrictions on his ability to modify, suspend or terminate his participation in the ASDP that have the effect of ensuring that Mr. Mah cannot benefit from material non-public information. In addition, Mr. Mah may not amend or modify his instructions under the ASDP more than one (1) time during its term.

Mr. Mah may only participate in the ASDP if he continues to meet the minimum share ownership requirements set out in Advantage's Director and Executive Share Ownership Policy.

Financial & Operating Summary

Financial Highlights	**Three months ended**		**Six months ended**	
($000, except as otherwise indicated)	**June 30 2021**	**2020**	**June 30 2021**	**2020**
Financial Statement Highlights				
Sales including realized derivatives	**$88,512**	$48,593	**$183,309**	$114,365
Net income (loss) and comprehensive income (loss)	**$8,725**	$(20,088)	**$8,300**	$(286,607)
per basic share (2)	**$0.04**	$(0.11)	**$0.04**	$(1.53)
Basic weighted average shares (000)	**190,501**	187,901	**189,313**	187,406
Cash provided by operating activities	**$57,134**	$24,357	**$108,700**	$45,183
Cash provided by (used in) financing activities	**$(21,480)**	$23,492	**$(29,028)**	$58,452
Cash used in investing activities	**$(20,834)**	$(44,855)	**$(35,903)**	$(110,076)

Other Financial Highlights

Adjusted funds flow (1)	**$46,266**	$17,259	**$100,244**	$49,352
per boe (1)	**$10.17**	$4.19	**$11.10**	$5.91
per basic share (1)(2)	**$0.24**	$0.09	**$0.53**	$0.26
Net capital expenditures (1)	**$22,482**	$10,663	**$59,667**	$104,293
Working capital surplus (deficit) (1)	**$24,520**	$(3,295)	**$24,520**	$(3,295)
Bank indebtedness	**$219,856**	$354,199	**$219,856**	$354,199
Net debt (1)	**$195,336**	$357,494	**$195,336**	$357,494

(1) Non-GAAP measure which may not be comparable to similar non-GAAP measures used by other entities. Please see "Non-GAAP Measures".
(2) Based on basic weighted average shares outstanding.

Operating Highlights	**Three months ended June 30**		**Six months ended June 30**	
	2021	**2020**	**2021**	**2020**
Operating				
Daily Production				
Crude oil (bbls/d)	**1,163**	2,018	**1,278**	1,595
Condensate (bbls/d)	**637**	627	**679**	803
NGLs (bbls/d)	**2,490**	2,001	**2,492**	1,782
Total liquids production (bbls/d)	**4,290**	4,646	**4,449**	4,180
Natural gas (mcf/d)	**274,328**	243,749	**272,804**	250,106
Total production (boe/d)	**50,011**	45,271	**49,916**	45,864
Average realized prices (including realized derivatives)				
Natural gas ($/mcf)	**$2.81**	$1.72	**$2.93**	$1.92
Crude oil ($/bbl)	**$39.30**	$37.52	**$43.43**	$46.08
Condensate ($/bbl)	**$81.67**	$16.09	**$75.35**	$43.11
NGLs ($/bbl)	**$42.09**	$14.44	**$42.30**	$22.57
Operating Netback ($/boe)				
Petroleum and natural gas sales from production	**$21.76**	$11.56	**$21.96**	$13.40
Realized gains (losses) on derivatives	**(2.12)**	0.23	**(1.50)**	0.30
Royalty expense	**(1.20)**	(0.26)	**(1.17)**	(0.58)
Operating expense	**(2.21)**	(2.43)	**(2.33)**	(2.35)
Transportation expense	**(3.72)**	(3.34)	**(3.64)**	(3.42)
Operating netback (1)	**$12.51**	$5.76	**$13.32**	$7.35

(1) Non-GAAP measure which may not be comparable to similar non-GAAP measures used by other entities. Please see "Non-GAAP Measures".

The Corporation's unaudited consolidated financial statements for the three and six months ended June 30, 2021 together with the notes thereto, and Management's Discussion and Analysis for the three and six months ended June 30, 2021 have been filed on SEDAR and are available on the Corporation's website at https://www.advantageog.com/investors/financial-reports. Upon request, Advantage will provide a hard copy of any financial reports free of charge.

Advisory

The information in this press release contains certain forward-looking statements, including within the meaning of applicable securities laws. These statements relate to future events or our future intentions or performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "guidance", "anticipate", "target", "objectives", "estimates", "continue", "demonstrate", "expect", "may", "can", "will", "believe", "would" and similar expressions and include statements relating to, among other things, Advantage's focus, strategy, priorities and development plans; timing for wells to come on-stream at Glacier and Valhalla; number of wells planned for the second half of 2021 and the primary focus; anticipated capital spending, production and production growth in 2021; Advantage's ability to fortify its balance sheet and maximize returns for its shareholders; Advantage's ability to enhance corporate resilience and scale; Advantage's expectations to return capital to its shareholders; the anticipated timing of when the ASDP will be effective and when sales will commence thereunder; Advantage's hedging program; and Advantage's go-forward strategy, its reasons therefor and the results and benefits to be derived therefrom, and the

Corporation's targeted 2021 production growth and free cash flow. Advantage's actual decisions, activities, results, performance, or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that Advantage will derive from them.

These statements involve substantial known and unknown risks and uncertainties, certain of which are beyond Advantage's control, including, but not limited to: changes in general economic, market and business conditions; industry conditions, including as a result of demand and supply effects resulting from the COVID-19 pandemic; actions by governmental or regulatory authorities including increasing taxes and changes in investment or other regulations; changes in tax laws, royalty regimes and incentive programs relating to the oil and gas industry; Advantage's success at acquisition, exploitation and development of reserves; unexpected drilling results; changes in commodity prices, currency exchange rates, net capital expenditures, reserves or reserves estimates and debt service requirements; the occurrence of unexpected events involved in the exploration for, and the operation and development of, oil and gas properties, including hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production and processing facilities, other property and the environment or in personal injury; changes or fluctuations in production levels; delays in anticipated timing of drilling and completion of wells; individual well productivity; competition from other producers; the lack of availability of qualified personnel or management; credit risk; changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; Advantage's ability to comply with current and future environmental or other laws; stock market volatility and market valuations; liabilities inherent in oil and natural gas operations; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; geological, technical, drilling and processing problems and other difficulties in producing petroleum reserves; ability to obtain required approvals of regulatory authorities; and ability to access sufficient capital from internal and external sources. Many of these risks and uncertainties and additional risk factors are described in the Corporation's Annual Information Form which is available at www.sedar.com ("SEDAR") and www.advantageog.com. Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.

With respect to forward-looking statements contained in this press release, Advantage has made assumptions regarding, but not limited to: conditions in general economic and financial markets; the impact and duration thereof that the COVID-19 pandemic will have on (i) the demand for crude oil, NGLs and natural gas, (ii) the supply chain including the Corporation's ability to obtain the equipment and services it requires, and (iii) the Corporation's ability to produce, transport and/or sell its crude oil, NGLs and natural gas; effects of regulation by governmental agencies; current and future commodity prices and royalty regimes; the Corporation's current and future hedging program; future exchange rates; royalty rates; future operating costs; future transportation costs and availability of product transportation capacity; availability of skilled labor; availability of drilling and related equipment; timing and amount of net capital expenditures; the number of new wells required to achieve the budget objectives; that the Corporation will have sufficient adjusted funds flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Corporation's conduct and results of operations will be consistent with its expectations; that the Corporation will have the ability to develop the Corporation's properties in the manner currently contemplated; current or, where applicable, proposed assumed industry conditions, laws and regulations will continue in effect or as anticipated; that Entropy will have the ability to develop its technology in the manner currently contemplated; the anticipated benefits and results from Entropy's technology; and the estimates of the Corporation's production and reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects.

Management has included the above summary of assumptions and risks related to forward-looking information in order to provide shareholders with a more complete perspective on Advantage's future operations and such information may not be appropriate for other purposes. Advantage's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Advantage will derive therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this press release and Advantage disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Barrels of oil equivalent (boe) and thousand cubic feet of natural gas equivalent (mcfe) may be misleading, particularly if used in isolation. Boe and mcfe conversion ratios have been calculated using a conversion rate of six thousand cubic feet of natural gas equivalent to one barrel of oil. A boe and mcfe conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion

method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Non-GAAP Measures

The Corporation discloses several financial and performance measures in this press release that do not have any standardized meaning prescribed under GAAP. These financial and performance measures include "net capital expenditures", "adjusted funds flow", "free cash flow", "net debt", "operating netback", "working capital deficit" and "net debt to adjusted funds flow", which should not be considered as alternatives to, or more meaningful than "net income", "comprehensive income", "cash provided by operating activities", "cash used in investing activities", or "bank indebtedness" presented within the consolidated financial statements as determined in accordance with GAAP. Management believes that these measures provide an indication of the results generated by the Corporation's principal business activities and provide useful supplemental information for analysis of the Corporation's operating performance and liquidity. Advantage's method of calculating these measures may differ from other companies, and accordingly, they may not be comparable to similar measures used by other companies.

Net Capital Expenditures

Net capital expenditures include total capital expenditures related to property, plant and equipment and exploration and evaluation assets incurred during the period. Management considers this measure reflective of actual capital activity for the period as it excludes changes in working capital related to other periods. A reconciliation between net capital expenditure is provided below:

	Three months ended		Six months ended	
	June 30		June 30	
($000)	2021	2020	2021	2020
Cash used in investing activities	$20,834	$ 44,855	$35,903	$110,076
Changes in non-cash working capital	1,625	(34,192)	3,741	(5,783)
Project funding received, net of incurred cost	23	-	20,023	-
Net capital expenditures	$22,482	$ 10,663	$59,667	$104,293

Working Capital

Working capital includes cash and cash equivalents, trade and other receivables, prepaid expenses and deposits and trade and other accrued payables at the reporting date. Working capital provides Management and users with a measure of the Corporation's operating liquidity.

Net Debt

Net debt is comprised of bank indebtedness and working capital. Net debt provides Management and users with a measure of the Corporation's bank indebtedness and expected settlement of net liabilities in the next year. A detailed calculation of net debt is provided below:

	June 30	December 31
($000)	2021	2020
Bank indebtedness (non-current)	$219,856	$247,105
Working capital (surplus) deficit	(24,520)	4,292
Net debt	$195,336	$251,397

Adjusted Funds Flow

The Corporation considers adjusted funds flow to be a useful measure of Advantage's ability to generate cash from the production of natural gas and liquids, which may be used to settle outstanding debt and obligations, and to support future capital expenditures plans. Changes in non-cash working capital are excluded from adjusted funds flow as they may vary significantly

between periods and are not considered to be indicative of the Corporation's operating performance as they are a function of the timeliness of collecting receivables and paying payables. Expenditures on decommissioning liabilities are excluded from the calculation as the amount and timing of these expenditures are unrelated to current production and are partially discretionary due to the nature of our low liability. Adjusted funds flow has also been presented per boe, by dividing adjusted funds flow by total production in boe for the reporting period, and per basic share, by dividing by the basic weighted average shares outstanding of the Corporation.

A reconciliation between adjusted funds flow and the nearest measure calculated in accordance with GAAP, cash provided by operating activities, is provided below:

	Three months ended		Six months ended	
	June 30		June 30	
($000)	2021	2020	2021	2020
Cash provided by operating activities	$57,134	$24,357	$108,700	$45,183
Expenditures on decommissioning liability	328	24	342	203
Changes in non-cash working capital	(11,196)	(7,122)	(8,798)	3,966
Adjusted funds flow	$46,266	$17,259	$100,244	$49,352

Net Debt to Adjusted Funds Flow

Net debt to adjusted funds flow is calculated by dividing net debt by adjusted fund flow for the previous four quarters. Net debt to adjusted funds flow is a coverage ratio that provides Management and users the ability to determine how long it would take the Corporation to repay its bank debt if it devoted all its adjusted funds flow to bank debt repayment.

Free Cash Flow

Free cash flow is calculated as adjusted funds flow less net capital expenditures. Free cash flow is a useful measure of Advantage's ability to settle outstanding debt and obligations.

Operating Netback

Advantage calculates operating netback on a per boe basis. Operating netback is comprised of sales revenue, realized gains (losses) on derivatives, net of expenses resulting from field operations, including royalty expense, operating expense and transportation expense. Operating netback provides Management and users with a measure to compare the profitability of field operations between companies, development areas and specific wells. A detailed calculation of operating netback is provided below:

	Three months ended			
	June 30			
	2021		2020	
	$000	per boe	$000	per boe
Petroleum and natural gas sales from production	$99,053	$21.76	$47,634	$11.56
Realized gains (losses) on derivatives	(9,626)	(2.12)	931	0.23
Royalty expense	(5,456)	(1.20)	(1,086)	(0.26)
Operating expense	(10,071)	(2.21)	(9,993)	(2.43)
Transportation expense	(16,918)	(3.72)	(13,771)	(3.34)
Operating netback	$56,982	$12.51	$23,715	$5.76

	Six months ended			
	June 30			
	2021		2020	
	$000	per boe	$000	per boe
Petroleum and natural gas sales from production	$198,426	$21.96	$111,819	$13.40
Realized gains (losses) on derivatives	(13,527)	(1.50)	2,518	0.30
Royalty expense	(10,543)	(1.17)	(4,841)	(0.58)
Operating expense	(21,056)	(2.33)	(19,640)	(2.35)

Transportation expense	(32,918)	(3.64)	(28,575)	(3.42)
Operating netback	$120,382	$13.32	$61,281	$7.35

The following terms and abbreviations used in this press release have the meanings set forth below:

bbl	*one barrel*
bbls/d	*barrels per day*
boe	*barrels of oil equivalent of natural gas, on the basis of one barrel of oil or NGLs for six thousand cubic feet of natural gas*
boe/d	*barrels of oil equivalent of natural gas per day*
mcf	*thousand cubic feet*
mcf/d	*thousand cubic fee per day*
mcfe	*thousand cubic feet equivalent on the basis of six thousand cubic feet of natural gas for one barrel of oil or NGLs*
mmcf/d	*million cubic feet per day*
Crude oil and condensate	*Light crude oil and medium crude oil as defined in NationalInstrument 51-101*
NGLs	*Natural Gas Liquids as defined in National Instrument 51-101*
Natural gas	*Conventional Natural Gas as defined in National Instrument 51-101*

SOURCE Advantage Energy Ltd.

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